

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03166

E.O. 11652: GDS
TAGS: PINT, PFOR, UK, US
SUBJECT: OFFICIAL VISIT OF PRIME MINISTER CALLAGHAN,
MARCH 10-11: UK POLITICAL SITUATION
AND PROSPECTS

REF: STATE 36387

HERE IS BACKGROUND PAPER ON POLITICAL SITUATION RE-
QUESTED REFTEL. ECONOMIC BACKGROUND PAPER IN SEPTTEL.

BEGIN TEXT

1. THE BRITISH GOVERNMENT IS BESET WITH TROUBLES.
INFLATION AND UNEMPLOYMENT ARE ONCE AGAIN ON THE UP-
SWING. HURT BY A DECLINING STANDARD OF LIVING, WORKERS
ARE SERIOUSLY QUESTIONING WHETHER TO ACCEPT A THIRD YEAR
OF WAGE RESTRAINT. PUBLIC OPINION POLLS SHOW THE
CONSERVATIVE OPPOSITION WELL AHEAD OF THE INCUMBENT
LABOR PARTY. PARLIAMENT IS CONSUMING ITSELF WITH A CON-
STITUTIONAL ISSUE -- "DEVOLUTION" OR LIMITED HOME RULE
FOR SCOTLAND AND WALES -- WHICH MANY ENGLISHMEN,
HABITUALLY INSENSITIVE TO SENTIMENT IN THE UK'S CELTIC
FRINGES, CONSIDER NOT GERMANE TO BRITAIN'S REAL PROBLEMS.
THE GOVERNMENT IS CURRENTLY IN A MINORITY POSITION IN THE
HOUSE OF COMMONS AND IS PLAGUED BY IDEOLOGICALLY-BASED
CONFLICTS WITHIN THE LABOR PARTY.

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2. IN THE FACE OF THESE FORMIDABLE WOES, PRIME MINISTER
CALLAGHAN'S GOVERNMENT IS DOING MORE THAN JUST
"MUDDLING THROUGH." IT KEEPS PRAYERFULLY IN SIGHT THE
GOAL OF ECONOMIC RECOVERY THROUGH EXPORT-LED GROWTH AND
TRIES TO KEEP TO ITS CHOSEN ECONOMIC/SOCIAL POLICY PATH,
WHILE IT REPEATEDLY HAS HAD TO STAVE OFF IMMEDIATE

POLITICAL DISASTER BY COPING WITH RECURRING ECONOMIC DIFFICULTIES. IF IT CAN HOLD ON LONG ENOUGH TO REDUCE INFLATION AND UNEMPLOYMENT TO MANAGEABLE PROPORTIONS, WITH ECONOMIC PROBLEMS ALLEVIATED BY NORTH SEA OIL, THE POLITICAL LANDSCAPE MAY BRIGHTEN ENOUGH TO MAINTAIN LABOR IN OFFICE PAST THE NEXT ELECTION AND INTO PROSPEROUS 1980'S. OR SO THE GOVERNMENT HOPES. THE IMPRESSION IT EMITS HOWEVER, IS OF GROWING FATIGUE. TO MANY OBSERVERS THE POSSIBILITY OF A CONSERVATIVE VICTORY IN THE NEXT ELECTION NOW LOOMS LARGE. THERE SEEMS TO BE LITTLE CHANCE OF A GENERAL ELECTION IN THE NEAR TERM, HOWEVER, SINCE THE GOVERNMENT RETAINS A 34-SEAT MARGIN OVER THE CONSERVATIVE PARTY AND FACES A COMBINED OPPOSITION THAT IS IDEOLOGICALLY AND PROGRAMMATICALLY FRAGMENTED.

3. ON THE EXTRA-PARLIAMENTARY SCENE, PRIME MINISTER CALLAGHAN'S CRUCIAL STRENGTH IS THE SUPPORT HE ENJOYS FROM THE TRADE UNION MOVEMENT. UNION LEADERS WOULD NECESSARILY WORK WITH A CONSERVATIVE GOVERNMENT IF THAT WERE THE ONLY GOVERNMENT THEY HAD, BUT THEY MUCH PREFER A LABOR GOVERNMENT. THEY PREFER IT ENOUGH TO CALL ON THEIR MEMBERS TO SACRIFICE -- WITHIN LIMITS -- FOR THE PRESENT IN ORDER TO ENSURE A BETTER FUTURE. PARTISAN POLITICS ASIDE, THE PREDOMINANTLY MODERATE AND HIGHLY RATIONAL TOP UNION LEADERSHIP ALSO ACCEPTS THAT BRITAIN'S ECONOMIC ILLNESS WILL NOT BE CURED WITHOUT STRONG MEDICINE, AND THAT THEIR WORKING LEGIONS MUST BE IN THE FRONT RANKS OF THE MEDICINE TAKERS.

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4. IN RETURN FOR ITS COOPERATION WITH THE LABOR GOVERNMENT, THE TRADES UNION CONGRESS (TUC) ENJOYS AN IMPORTANT CONSULTATIVE ROLE IN MAJOR ECONOMIC DECISION-MAKING. THE SPECIFIC QUID GIVEN BY THE UNIONS IS AN AGREEMENT ON WAGE RESTRAINT. THIS ARRANGEMENT, NOW IN ITS SECOND YEAR, HAS BEEN CRUCIAL IN OVERCOMING THE GALLOPING INFLATION OF TWO YEARS AGO. NEGOTIATIONS ARE NOW IN FULL SWING TOWARD A THIRD YEAR OF WAGE RESTRAINT, BUT PRESSURES ARE HEAVY ON THE UNION LEADERS TO LAY OUT A TREKABLE PATH TO AN ORDERLY RETURN TO FREE COLLECTIVE BARGAINING. THE OUTCOME IS UNCERTAIN. AT THIS JUNCTURE, IT APPEARS THAT SOME FORM OF AGREEMENT WILL BE REACHED. THE QUESTION IS WHETHER IT CAN BE RESTRICTIVE ENOUGH TO BE REALLY MEANINGFUL.

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5. HAROLD WILSON VOLUNTARILY RETIRED AS PRIME MINISTER IN MARCH 1976. HE WAS REPLACED BY FOREIGN MINISTER JAMES CALLAGHAN, AN EXPERIENCED MIDDLE-OF-THE-ROADER WHO WAS BROADLY ACCEPTABLE IN A PARTY THAT ALWAYS HAS TO STRIVE TO KEEP ITS IDEOLOGICALLY DISPARATE WINGS AT LEAST MINIMALLY UNITED. CALLAGHAN HAS PROVEN A GOOD LEADER. PURPOSEFUL, STRONG AND COMMANDING, HE HAS BEEN PRAGMATIC AND SKILLFUL AT KEEPING HIS LINES OPEN TO LABOR'S LEFT WING, WHILE LEADING A GOVERNMENT THAT IS CLEARLY TILTED TO THE PARTY'S RIGHT.

6. CALLAGHAN HAS ENCOUNTERED FREQUENT OPPOSITION FROM HIS COHORTS WITHIN THE LABOR PARTY. WHETHER THE ARGUMENT BE THE CHRONIC ONE ABOUT ECONOMIC STRATEGY OR CENTERED ABOUT THE TWO CURRENTLY LIVE POLITICAL ISSUES OF DEVOLVING POWER TO SCOTLAND AND WALES OR ARRANGING TO CONDUCT DIRECT ELECTIONS TO THE EUROPEAN PARLIAMENT, MANY LABOR MPS VOCIFEROUSLY DISAGREE WITH THE POLICIES AND APPROACH OF THEIR OWN LABOR GOVERNMENT. THE LEFT WING, THE MOST CONSISTENT DISSIDENTS, REPRESENTS ABOUT ONE FOURTH OF THE PARTY'S STRENGTH IN PARLIAMENT, DOMINATES THE PARTY'S NATIONAL EXECUTIVE COMMITTEE AND IS VIGOROUSLY REPRESENTED AMONG LOCAL-LEVEL ACTIVISTS. CALLAGHAN'S ULTIMATE WEAPON OF CONTROL -- WHICH HE USES MORE FREQUENTLY THAN ANY LEADER LIKES -- IS THE VEILED
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REMINDER THAT THE ALTERNATIVE TO HIS LABOR GOVERNMENT

IS A CONSERVATIVE ONE. THAT DREAD THOUGHT IS ENOUGH TO KEEP LABOR'S DISSIDENTS, LEFT-WING AND OTHERWISE, FROM DOING ANYTHING WITTINGLY TO BRING DOWN THEIR GOVERNMENT, BUT THEY DO NOT HESITATE TO KICK IT WHILE IT IS STILL UP. OF LATE, RECOGNITION BY ALL SIDES OF THE GROWING POLITICAL DAMAGE BEING DONE HAS INDUCED EFFORTS TO RECONCILE INTRA-PARTY DIFFERENCES. UNION LEADERS ARE MOVING TO STRENGTHEN CALLAGHAN'S HAND WITHIN THE PARTY AND ENCOURAGE THIS TREND.

7. CALLAGHAN'S DIFFICULTIES WITH HIS OWN PARTY ARE MORE FORMIDABLE THAN THOSE WITH THE OPPOSITION. MARGARET THATCHER DISPLACED EDWARD HEATH AS CONSERVATIVE LEADER TWO YEARS AGO AND PARTY WOUNDS NEEDED TIME FOR HEALING. THE CONSERVATIVES HAVE VEERED TO THE RIGHT UNDER MRS. THATCHER'S LEADERSHIP. BUT THEY HAVE BEEN READYING THEMSELVES NOTICEABLY DURING THE PAST HALF YEAR TO WREST POWER FROM LABOR, AND HAVE BEEN ENCOURAGED BY THEIR CURRENT LEAD IN THE OPINION POLLS.

8. AS FOR THE MINOR PARTIES, THE LIBERALS ARE IN A WEAKENED STATE. THEY HOLD ONLY 13 SEATS IN COMMONS NOW, AND COULD EMERGE WITH FEWER THAN HALF THAT NUMBER SHOULD AN ELECTION BE HELD SOON. THEIR CONSEQUENT LACK OF ENTHUSIASM FOR AN EARLY ELECTION HAS BEEN ONE OF LABOR'S STRONGER CURRENT ASSETS, BUT THERE ARE FAINT SIGNS THAT THEY MAY BE BEGINNING TO REGAIN SUPPORT. EACH OF THE OTHER MINOR PARTIES IN PARLIAMENT IS REGIONALLY BASED IN SCOTLAND, NORTHERN IRELAND OR WALES. THEIR PARLIAMENTARY BEHAVIOR IS GENERALLY TACTICAL AND PRIMARILY DICTATED BY THEIR SPECIFIC OVER-RIDING REGIONAL CONCERNS.

9. THE CALLAGHAN GOVERNMENT'S ABILITY TO OPERATE IS THUS PREMISED ON ENSURING THAT PARLIAMENTARY BUSINESS GOES FORWARD IN SUCH A WAY THAT THE INTERESTS OF ALL CONFIDENTIAL

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THE OPPOSITION PARTIES DO NOT SIMULTANEOUSLY UNITE ON ANY PARTICULAR ISSUE. CALLAGHAN NEEDS ENOUGH SUPPORT OR BENEVOLENT ABSTENTION ON EACH IMPORTANT ISSUE FROM SOME PART OF THE OPPOSITION TO COVER HIS MINORITY POSITION AND TO BALANCE ANY LABOR DEFECTIONS THAT MAY OCCUR. AND HE USUALLY GETS IT. BUT THE JUGGLING ACT IS CONSTANT, AND THE GOVERNMENT'S REPUTATION WITH THE PUBLIC SUFFERS WHEN IT FAILS.

10. THE RESOUNDING DEFEAT IN LATE FEBRUARY OF THE GOVERNMENT'S EFFORT TO INVOKE CLOTURE ON THE CONTROVERSIAL DEVOLUTION BILL HAS UNDERMINED ITS CREDIBILITY AND MADE IT MORE VULNERABLE THAN BEFORE. IT WILL

CONTINUE TO SOLDIER ON. AS FAR AS CAN BE PREDICTED,
IT IS UNLIKELY TO HAVE TO FACE A UNITED OPPOSITION
DETERMINED TO FELL IT BEFORE THE FALL OF 1977 AT THE
EARLIEST. BEYOND THAT, THE CRYSTAL BALL CLOUDS.
CALLAGHAN, FOR HIS PART, HAS INDICATED HE HAS NO
INTENTION VOLUNTARILY TO CALL AN ELECTION BEFORE SOME
TIME IN 1979. END TEXT.

ARMSTRONG

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